



Public Service
Pension Plan

BRITISH COLUMBIA

2008 ANNUAL REPORT

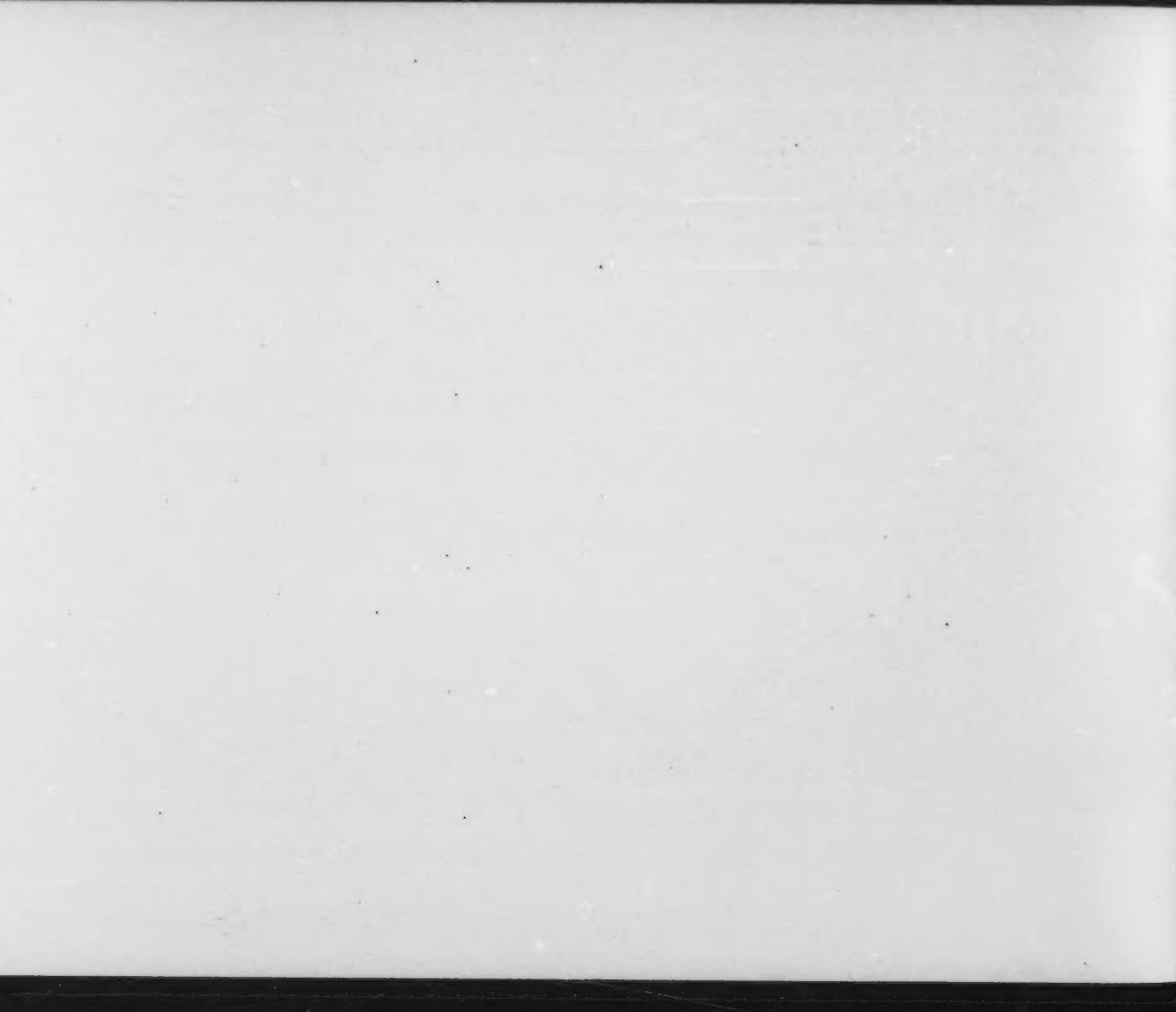


**Near
Retirement**

Member

**New
Member**

Building a future together...





**Public Service
Pension Plan**

**2008
ANNUAL
REPORT**

April 1, 2007 to March 31, 2008

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Building a future together...

Financial Highlights

The Public Service Pension Plan basic and inflation adjustment accounts returned 0.3 per cent and 0.4 per cent respectively in 2007-08, exceeding each account's performance benchmark return of -1.3 per cent. At the end of the fiscal year, the plan's investments were valued at \$17.6 billion, down from the prior year's level of \$17.7 billion, as benefits outweighed both contributions and investment return during the period.

The plan's highest returning investments were the domestic real estate and construction mortgage pools, which generated returns of 16.7 per cent and 7.3 per cent respectively during the year. These positive returns were offset, however, by declines in international stock investments and changes in currency exchange rates, which caused the plan's

combined U.S. and non-North American stocks to earn -10.8 and -12.7 per cent respectively.

During the months to come, market and economic conditions are expected to remain challenging, as slowing global growth, weak credit conditions, and high commodity prices create economic uncertainty and put pressure on financial asset values.

Since the end of our fiscal year, the short-term financial market and economic news has been gloomy, but it is important to underscore that the plan's pension fund has a long-term investment horizon. It has a well-diversified investment portfolio that includes cash, bonds, stocks, mortgages, real estate and infrastructure investments.

Volatile markets also offer investment opportunities. The plan will seek to take advantage of

these opportunities as they arise, while it continues to pursue long-term investment results consistent with its pension mandate.

Working

For

You

Building a future together...

Trustees' Message

Welcome to the Public Service Pension Plan annual report for the fiscal year ending March 31, 2008.

Regular readers of our annual report will notice a change to the look and content of this publication. The changes we've made this year are designed to highlight the significant value residing in your pension, demonstrate how securely it continues to grow and show how it represents a great benefit to both you and your employer.

Building a Future Together encapsulates those ideas in a way that speaks directly to our members and employers about what the plan is and how it works. Our plan is healthy and growing on all fronts.

Over the last five years, the plan's Basic Account has generated an 11.2 per cent

annualized return, exceeding the benchmark return of 10.4 per cent. Total assets exceed \$17 billion.

Despite British Columbia Investment Management Corporation's (bcIMC) conservative investment approach, the pension plan's investments are not immune to the broad market conditions and there will be an impact to short-term performance. Furthermore, we expect the market volatility to continue into 2009 and, in our view, there will likely not be a quick recovery. As a result, bcIMC continues to focus on managing risk and adhering to its disciplined investment philosophy.

Joint trusteeship—the shared management of the plan by representatives of both plan members and plan employers—gives us a solid basis from which to govern the plan. The joint trusteeship model means that

members and employers also equally share the responsibility for any unfunded liabilities and ownership of any surpluses. It is a model that gives members control over the governance of their pension plan and the foundation of building a future together.

In 2007-08, we made important steps in ensuring smooth leadership succession and continuity of management on the board. Long-time trustee David Vipond was named vice-chair of the board. As the first to hold this position, David brings a wealth of experience and learning to his new role. His appointment coincided with the re-appointment of John Cook as chair until March 31, 2009.

Former trustee Bruce Kennedy took on a new role with the board by accepting the position of Executive Director in October 2007. Bruce's background and

Trustees' Message continued

experience includes more than a decade of involvement in British Columbia's public sector pension plans, as well as the Canada Pension Plan. Bruce's new role includes advisory responsibilities to the Public Service, College and Teachers' pension boards of trustees.

In 2007, the trustees welcomed the entry of the Members of the Legislative Assembly into the Public Service Pension Plan. Plan rule amendments were needed to make this possible.

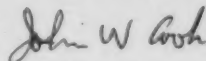
One of the great strengths of a defined benefit plan is that you see your benefit grow with each year of additional service you accumulate. We have always encouraged members to look at increasing their future benefit through purchasing, reinstating or transferring service.

This past year saw the addition of three Alberta plans to the National Public Service Pension Transfer Agreement. These plans are the Alberta Public Service Pension Plan, the Management Employees Pension Plan and the Local Authorities Pension Plan.

This report is a reflection of our fiscal year ending March 31, 2008. We recognize since that time there has been some significant market volatility. It is important to remember the goal of the plan is to provide investment returns that grow over the long term. In the short term, the value of the invested assets has decreased but our perspective is not short term; it is long-term. It is not unusual for the markets to be volatile and the plan has weathered volatility in the markets before. Based on our conservative investment approach

and our focus on the long term, we believe the pension funds continue to be well-positioned to provide the benefits that are promised.

Building a Future Together is about the plan and its members. We can all look forward to seeing the pension benefit grow, according to each of our member's distinct contributions to the plan.



John W. Cook
Chair

Public Service Pension Board of Trustees (As at March 31, 2008)



JOYCE BURNS has been a trustee since January 1, 2001. Her appointment to the board is through the

B.C. Government and Service Employees' Union.

Joyce is employed by B.C. Ferry Services Inc.



BRUCE CLOW is an independent consultant specializing in human resources management. He has more than

three decades of experience in the human resources field.

A trustee with the Public Service Pension Plan since 2001,

Bruce served on the Interplan Audit Committee as well as the Benefits and Communications Committee. He was appointed by the provincial government.

Bruce received his introduction to the BC Superannuation Commission, the precursor to what is now the BC Pension Corporation, in 1990 while working on a service improvement project for the former BC Buildings Corporation.



JOHN COOK has served as chair of the Public Service Pension Board of Trustees since its formation in 2001. He is

appointed by the board.

John started with the BC Superannuation Commission,

the precursor to what is now the BC Pension Corporation, in 1979. He was appointed as commissioner in 1983, a position he held until he retired.

An actuary by profession, John has more than 30 years experience in the pension and benefits field. He served on a variety of BC pension boards.



JOHN DAVISON

is a senior labour relations specialist with the BC Public Service Agency. John was appointed

to the board by the provincial government in 2007.

Previously a director at the Public Sector Employers' Council Secretariat, John helped carry out

Public Service Pension Board of Trustees *continued*

government's oversight responsibilities related to the major BC public sector pension plans and the Canada Pension Plan.

Although he is one of the newest members of the Public Service Pension Board of Trustees, John is an experienced trustee. He was formerly a trustee with the College Pension Board and the Municipal Pension Board.



DAVID DAY became a trustee with the Public Service Pension Plan in 2001. Appointed by the province, his background is in human resources and benefits.

David is executive director of the BC Excluded Employees' Association, and brings 33 years of

experience in management positions for both the private and non-profit sectors. As a human resources advisor, one of his earlier jobs was to advise employees on their defined benefit pension plan.

David has completed courses and training on pension administration and management. These include courses through the UBC Sauder School of Business and the Pacific Business and Law Institute.



JUDI FILION has been the secretary-treasurer of the B.C. Government and Service Employees' Union

(BCGEU) since 2005.

She was appointed to the Public Service Pension Board

of Trustees on April 1, 2007. Her appointment to the board is through the BCGEU.

Judi has completed courses with the International Foundation of Employee Benefit Plans and the Advanced Trustee Management Standards Program.



ALANA GALLAGHER joined the board of trustees on April 1, 2006. She has more than 20 years experience

as a financial strategist and treasury management professional in both the private and public sectors.

Alana has been employed with B.C. Ferry Services Inc. since 1995, where she is the treasurer and a member of the executive team. She is responsible for capital

Public Service Pension Board of Trustees *continued*

budgeting and reporting, as well as the development and execution of the company's debt, investment, banking and financial risk hedging strategies. She holds a Bachelor of Arts in Economics and a Master of Business Administration.

Her appointment to the board is through the provincial government.



ANDY JANI

has been a trustee on the Public Service Pension Board of Trustees since 2003.

He has been involved with pension governance since 1998 and has experience with the Public Service, College, Teachers' and Municipal pension plans. Andy was part of the government negotiating team in the late 1990s, leading to joint

trusteeship of the plan in 2001. He also served on the College Pension Plan Advisory Board.

Currently a director in the Health Authority Division of the BC Ministry of Health Services, Andy has 25 years of government experience in BC and Saskatchewan. He holds a Bachelor of Science (Honours) in Engineering from the University of Salford, United Kingdom, and a Master of Public Administration from the University of Victoria.



JODI JENSEN

joined the board in June 2004. Her appointment is by the B.C. Government and Service

Employees' Union (BCGEU) through a nomination of unions

other than the BCGEU.

She is the executive director of the Professional Employees Association (PEA) and has been with the organization for 10 years. Membership growth and recognition from government have been the focus of Jodi's work with the association since 2000. Recently she initiated an overhaul of PEA communications to enhance the association's profile with both the public and its members.

Jodi holds a master's degree from Simon Fraser University and has a background in labour relations.

Public Service Pension Board of Trustees *continued*



LAWRENCE JOHNSON

was appointed to the Public Service Pension Board of Trustees in April 2007.

He is appointed by, and is president of, the British Columbia Government Retired Employees Association. In addition to his experience in pension and benefit issues, Lawrence has extensive involvement as a director with several other boards and agencies, including 15 years with the United Way.

Lawrence was also a local chair with the British Columbia Government and Service Employees' Union (BCGEU) for 28 years and was a member of the BCGEU provincial executive for five years.



LAURIE MCAMMOND

has been a trustee on the Public Service Pension Board since January

2005. She was nominated by the Crown Corporation Employers' Association and appointed by the provincial government.

She is currently the executive director of corporate services at BC Assessment, responsible for financial services, human resources and information technology.

Laurie has over 20 years of senior management experience in the financial, health and education fields in both the private and public sectors. As a human resources professional with a background in statistics, she has

a broad understanding of pension plans, benefits and governance.



RON MCEACHERN

has worked in human resources and labour relations for over 30 years. He was

an associate deputy minister of employee relations prior to retiring in 2005. Ron has served on the boards of directors for several employer associations. He has also served as a member of the Labour Relations Board for eight years.

In addition to his service with the Public Service Pension Board of Trustees, Ron has been appointed by the board as a director of the British Columbia Investment Management Corporation.

Public Service Pension Board of Trustees *continued*

Ron graduated from the University of Victoria with a Bachelor of Science degree. He has completed several certificate courses with the International Foundation in the Advanced Trustee Management Standards Program. Ron is appointed to the board by the provincial government.



PAUL MARTIN

has held the position of staff representative for the B.C. Government and Service

Employees' Union (BCGEU) since 1984. He holds a diploma in Public Sector Management from the University of Victoria's School of Public Administration.

Paul's solid understanding of the plan is rooted in his service

on various committees and with groups that led to joint trusteeship, the governance model under which the Public Service Pension Plan operates. He served on the Pension Benefits Standards Act Advisory Council from 1992 through 2001, at which time the BCGEU appointed him to the Public Service Pension Board of Trustees.

Paul brings to the board more than 20 years of pension experience and remains active in pension and benefits issues through his employer.



SANDI MCLEAN

has been a trustee on the Public Service Pension Board since January 2001, when the B.C.

Government and Service Employees' Union (BCGEU) appointed her to the board.

Sandi sits on the Benefits and Communications Committee and the Interplan Trustee Education Committee. She is currently chair of the BCGEU's Administrative Services Component.



DAVID VIPOND

is the director of negotiations for the B.C. Government and Service Employees' Union.

David participated in the negotiations that led to joint trusteeship of the Public Service Pension Plan in 2001, becoming a trustee that year as well. He became the vice-chair of the Public Service Pension

Public Service Pension Board of Trustees *continued*

Board of Trustees in 2007.

His training and education in pension management includes courses at the UBC Sauder School of Business and the International Labour Organization. David has completed training for Advanced Trustee Management Standards certificates (Group Benefits Management, Pension Fund Management) and is pursuing certification for Pension Fund Leadership.



Kelly Conlin

Web Administrative
Officer, Ministry
of Housing and
Development

*"Being a member
of the Public
Service Pension
Plan means I have
the flexibility to
take my pension
with me when I
change jobs and
transfer to another
employer in the plan.
I love that I have a
pension, but also that
I don't have to think
about it. Simplicity and
flexibility, it's a perfect
combination for my
retirement planning."*

Message from British Columbia Investment Management Corporation's CEO/Chief Investment Officer

Building our future together requires that investments of the Public Service Pension Plan perform well in both up and down markets. During the difficult market conditions of 2007-08, the British Columbia Investment Management Corporation (bcIMC) faced many challenges, but still managed to generate an investment return of 0.3 per cent, exceeding the plan's performance benchmark of -1.3 per cent. This above-benchmark return represents \$283 million in additional value for the plan, net of all investment expenses and operating costs. It also marks the fourth consecutive year that bcIMC has met or exceeded the plan's investment return expectations.

The volatile capital markets of 2007-08 challenged bcIMC to find ways to preserve and grow the plan's capital without taking undue risk. During this period, bcIMC recognized risk management as being a critical component of the portfolio management process, and we adhered closely to our "3-D" investment philosophy of diversification, due diligence, and disciplined investing:

- **Diversification**—reduces risk and provides a more stable rate of return by holding multiple asset classes and securities.
- **Due diligence**—assists prudent decision making through careful analysis. An example of this is bcIMC's decision to avoid investments in non-

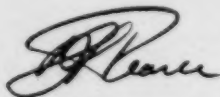
bank sponsored asset-backed commercial paper, which subsequently experienced liquidity problems and declines in market value.

- **Disciplined investing**—helps insulate a portfolio from volatility caused by rapid changes in investor sentiment. In addition to prudent investment strategies, bcIMC carefully manages costs, which allows a greater proportion of investment return to pass through to the plan. For example, bcIMC operates on a cost-recovery, not-for-profit basis, and its large asset size provides access to substantial economies of scale. As a result, bcIMC's fees continue to be significantly below those of other investment managers.

Message from British Columbia Investment Management Corporation's CEO/Chief Investment Officer *continued*

In striving to exceed the plan's performance and service expectations, bcIMC seeks high standards of corporate responsibility in the companies in which it invests. The bcIMC believes that responsible corporate behaviour with respect to environmental, social and governance factors generally contributes to better long-term financial performance of companies. In this way, bcIMC uses its influence as an investor to protect and increase the value of plan assets, taking into account risk and return. I encourage plan members to learn more about bcIMC and our responsible investment activities by reviewing our website: www.bcimc.com.

I would like to note that it has been a pleasure serving the Public Service Pension Plan, and thank the trustees for their direction and support. The bcIMC has a long and successful history of providing funds management services to the plan. We look forward to strengthening this relationship and building our future together.



Doug Pearce
CEO/Chief Investment Officer
British Columbia Investment
Management Corporation

Message from the Chief Executive Officer – Pension Corporation

The Pension Corporation is proud to help the more than 50,000 Public Service Pension Plan active members and their employers build a future together. As one of Canada's largest public sector pension administrators, we pride ourselves on ensuring you receive great value and service you can trust from people who care.

On behalf of the Public Service Pension Board of Trustees, we provide a comprehensive range of pension benefit and information services to the members and employers of the plan, paying pension benefits, managing contributions, and providing policy, financial and communications services to the Public Service Pension Board of Trustees.

The Pension Corporation's overarching goal is to make the pension experience easy for members, employers and trustees alike. In 2007-08, we developed new member education courses like *Your Pension, Your Future* and *Thinking about Retirement*. There are also new information materials to help achieve this, such as publications like *Welcome to Retirement* and online resources like *Choosing your Best Pension Option*.

We also began major improvements to our computer systems. This included the first phase of replacing technology used to administer retired members' pensions, and upgrades to the My Account portion of the website accessible to members and employers. These changes

empower members to make better-informed decisions about their career and pension options, and they help us provide better, simpler service in an increasingly complex environment.

I would like to thank the Public Service Pension Board of Trustees for giving us the opportunity to work with all of you. It is truly a pleasure for us to help build something great for the 100,000 active, inactive and retired members and more than 85 employers represented in the plan.



Gail Stephens
Chief Executive Officer
Pension Corporation

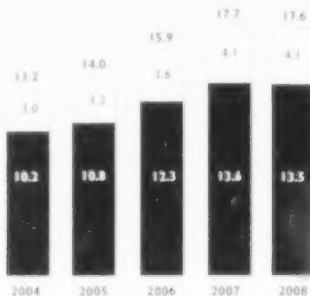
Building a Future Together

Members of the Public Service Pension Plan have been building a future together for many years. Since the beginning of joint trusteeship in 2001, the trustees have worked to ensure solid investment returns on member and employer contributions. Safe and prudent long-term growth has always been the watchword for plan investments.

In 2005, the board developed a long-term funding policy for basic pension benefits and post-retirement group benefits. The result is a healthy and robust plan that is prepared for the challenges and strains that many pension plans face today.

Contributions from active members and their employers are the other building block that ensures a sound future for the plan.

Net Assets Available for Benefits
as at March 31



■ Net Assets Available for Basic Benefits
■ Net Assets Available for Inflation Benefits

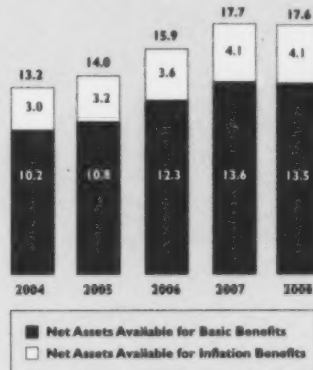
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Net Assets Available for Benefits
as at March 31



The Public Service Pension Board of Trustees has several active committees that make recommendations to the board. These committees deal with specific areas of administration of the pension plan and meet on a regular basis.

The Benefits and Communications Committee

This committee reviews plan rules as they affect benefit entitlements and makes recommendations for changes as required. The committee also reviews pension plan policies related to benefit administration. As well, it reviews the post-retirement group benefit rules and makes recommendations for changes to plan design, coverage levels and cost structure as required. They met five times in the 2007-08 fiscal year.

This is a committee of the whole and is chaired by John Cook.

The Communications Subcommittee

The Public Service Pension Plan strives for excellent communications. Regular, clear and concise reporting about the plan and any changes to the rules or governance environment of the plan is the responsibility of the Communications Subcommittee. In addition to the annual report, *Report to Members* and *AfterWork* publications, the Communications Subcommittee oversees release and updating of the plan's communications materials. They met three times in the fiscal year.

Paul Martin chaired the committee in 2007-08 with members Bruce Clow, Ron McEachern and David Vipond.

The Interplan Audit Committee

The Interplan Audit Committee's mandate is to act on behalf of and to assist the board to provide for:

- a timely and cost-effective system of accounting and reporting
- financial statements conforming with generally accepted accounting principles
- an independent audit of the financial statements
- an annual report with audited financial statements

The committee accomplishes its mandate to provide financial oversight by:

- monitoring and reporting to the boards on the integrity of reporting, internal controls, and compliance
- monitoring and reporting on the independence and

The Interplan Audit Committee *continued*

performance of the external auditors

- monitoring and reporting on risk management as it affects financial reporting
- recommending the selection and compensation of external auditors
- addressing any matter referred to the committee by one or more of the four boards

The Interplan Audit Committee consists of two nominees from each of the boards of the College, Municipal, Public Service, and Teachers' pension plans. Bruce Clow and Judy Filion represented the Public Service Pension Plan on the committee in 2007-08. The committee must include at least two trustees who understand generally accepted accounting principles (GAAP), internal controls, and audit committee

functions. The committee must meet at least three times annually. There were four meetings in 2007-08. In addition to its role of financial oversight through monitoring and reporting, the committee also evaluates its own performance annually through an established procedure.

Partners, Trustees & Agents

The Public Service Pension Plan is governed by representatives of both plan members and plan employers. These representatives make up the board of trustees. This shared management is called joint trusteeship. For more information on joint trusteeship, visit the plan website at pspp.pensionsbc.ca.

Plan partners are the provincial government and the B.C. Government and Service Employees' Union (BCGEU). These partners and other organizations representing the plan employers and plan members are responsible for nominating and appointing the trustees.

The **Public Service Pension Board of Trustees** is responsible for the management of the pension plan, including asset investment and plan administration. The board of trustees may amend

the pension plan rules as long as changes can be funded by pension fund surpluses or are cost-neutral to the plan. Plan rule changes that result in contribution rate changes must be initiated by the partners. However, if the actuary determines it is necessary to increase contribution rates, the trustees must increase employer and member contribution rates equally.

The **British Columbia Pension Corporation** provides benefit administration services as an agent of the board of trustees. It provides plan information to members and employers, manages contributions and member records, pays pension benefits, and provides policy, financial and communication services to the trustees.

The **British Columbia Investment Management Corporation** (bcIMC) is one of

Canada's largest investment managers, and administers more than \$85 billion in assets with a global exposure and is supported by industry-leading investment expertise. The bcIMC offers fund management in all major asset classes including strategic and infrastructure investment. The corporation provides investment management services as an agent of the board.

PricewaterhouseCoopers provides auditing services to the plan. They are one of Canada's largest accounting firms, offering a wide range of management services.

Eckler Ltd. provides consulting and actuarial services to the plan. As consultants and actuaries, Eckler Ltd. prepares actuarial valuations and costings for the plan.



Client Services and Communications

When plan members or employers contact the Public Service Pension Plan seeking information, one of the plan's client representatives will answer. Client representatives deal with requests for pension plan information, benefits calculations, employer reporting assistance, retirement seminars and pension applications. They are experienced and well-trained and are a huge part of what makes the Public Service Pension Plan valuable for members and employers.

One of the ways the Public Service Pension Board of Trustees helps you and employers build a future together is through communicating. We take special steps to ensure all plan information is easy to understand and use. Improving the effectiveness and quality

of our member and employer communications by applying principles of plain language and focus testing is a continuous process.

As the number of retired members in the plan grows, more and more work is also done to assist with retired plan members' questions, from assisting with group benefits enrolment to advising beneficiaries on possible entitlements on the death of the member.

One significant area of service for the plan is pension seminars. These seminars explain the basics of the plan and cover the retirement process from application to payment of pensions. The seminar program is undergoing a change, and includes a new seminar with information for active members at all stages of their careers and

a revamp of the seminar for those closer to retirement to focus on options and issues at retirement.

New and updated communications materials are regularly published, and online products and services are continually being developed. The *Guide for Plan Members*, the annual *Member's Benefit Statement*, forms, bulletins, retirement information packages and *AfterWork* are published regularly.

These audience-specific products not only outline the plan's financial status, they also keep you up to date with changes and developments with the plan's rules and benefits.

Our website at pspp.pensionsbc.ca is an excellent source of pension plan information with online estimators and other great features. We continue to achieve high member

Client Services and Communications *continued*

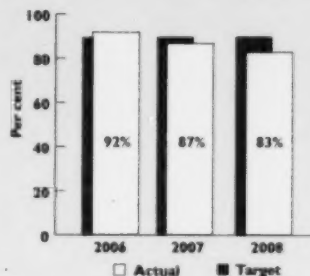
satisfaction results, including over 89 per cent of recent retirees who were satisfied or very satisfied with their retirement experience.

Performance Measures and Targets

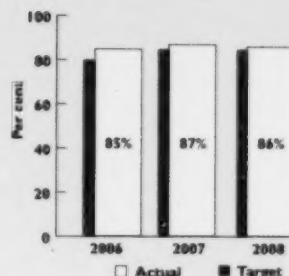
April 1, 2007 to March 31, 2008

The Public Service Pension Plan is devoted to providing quality, cost-effective service to plan members. Through its service agreement with the Pension Corporation, the board approves service standards for the plan, including client satisfaction and service response times, and monitors performance against those standards. Regular surveys show that both active and retired members give the Pension Corporation a high satisfaction rating for service quality.

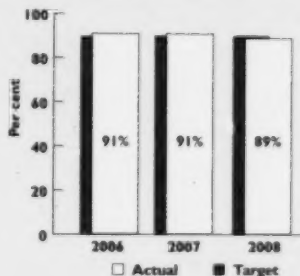
Satisfaction: Longer-term Retired Members



Satisfaction: Active Members



Satisfaction: Recently Retired Members



Plan Participants

Members

Membership in the Public Service Pension Plan is open to all eligible employees of the provincial public service or other employers approved by the Public Service Pension Board of Trustees. Once an employee elects or qualifies to contribute to the plan, contributions continue as long as the employee remains with the employer, or until the employee has completed 35 years of pensionable service.

There are three categories of members in the Public Service Pension Plan:

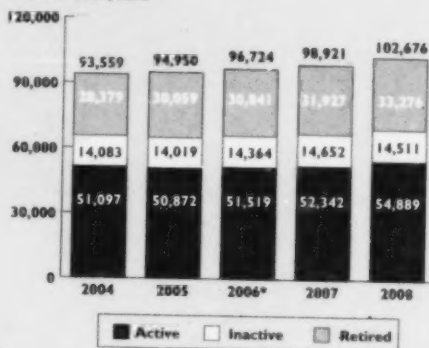
- **Active**—those currently contributing, or on a leave of absence, or receiving benefits from an approved salary continuance plan.
- **Inactive**—those who have terminated employment but

whose contributions remain on deposit in the plan. They may or may not be eligible for a pension in the future.

- **Retired**—those who are receiving a pension, including those who are receiving a disability pension.

The number of active plan members in the Public Service Pension Plan increased by 4.9 per cent in the 12 months ending March 31, 2008. Today there are 54,889 active members and 33,276 retired members.

Membership Profile
as at March 31, 2008



*Restated to correctly reflect member status.

Plan Participants

Members

Membership in the Public Service Pension Plan is open to all eligible employees of the provincial public service or other employers approved by the Public Service Pension Board of Trustees. Once an employee elects or qualifies to contribute to the plan, contributions continue as long as the employee remains with the employer, or until the employee has completed 35 years of pensionable service.

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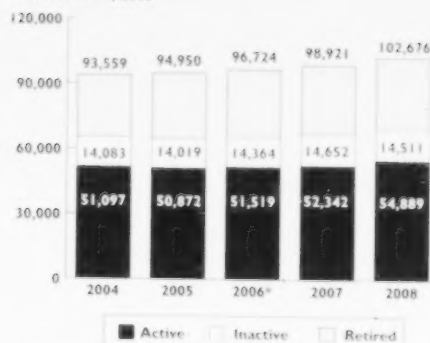
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- **Inactive**—those who have terminated employment but

whose contributions remain on deposit in the plan. They may or may not be eligible for a pension in the future.

- **Retired**—those who are receiving a pension, including those who are receiving a disability pension.

The number of active plan members in the Public Service Pension Plan increased by 4.9 per cent in the 12 months ending March 31, 2008. Today there are 54,889 active members and 33,276 retired members.

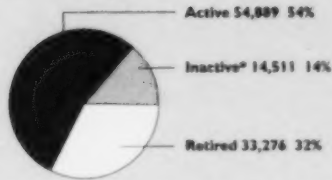
Membership Profile
as at March 31, 2008



*Revised to correctly reflect member status

Plan Participants *continued*

Membership Profile
as at March 31, 2008

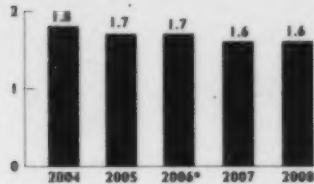


* Members no longer employed, but with money in the plan.

Age Profile of Active Members
as at March 31, 2008



Ratio of Active Members to Retired Members
as at March 31



* Restated to correctly reflect member status.

Plan Participants *continued*

Employers

As at March 31, 2008

Province of British Columbia
BLJC Workspace Solutions Inc.
British Columbia Assessment Authority
British Columbia Centre for Disease Control
British Columbia Excluded Employees' Association
British Columbia Ferry Services Inc.
BC Ferry and Marine Workers' Union
B.C. Government and Service Employees' Union
British Columbia Housing Management Commission
British Columbia Innovation Council
British Columbia Investment Management Corporation
British Columbia Institute of Technology
British Columbia Mental Health Society
BC Milk Marketing Board
B.C. Pavilion Corporation
British Columbia Pension Corporation
British Columbia Safety Authority
British Columbia Securities Commission
British Columbia Transit
British Columbia Treaty Commission
British Columbia Utilities Commission

Business Practices and Consumer Protection Authority
Canada/British Columbia Business Services Society
Canadian Office and Professional Employees' Union, Local 378
Canadian Road Builders Inc. (Lafrentz Division)
Coast Capital Savings Credit Union
Coast Mountain Bus Company
Cobra Electric (South Coast) Ltd.
Columbia Power Corporation
Community Living British Columbia
EDS Advanced Solutions Inc.
Elections BC (Office of the Chief Electoral Officer)
Emergency Health Services Commission
Environmental Appeal Board
First People's Heritage, Language and Culture Council
Forensic Psychiatric Services Commission
Forest Practices Board
Fraser Health Authority
Fraser River Marine Transportation Ltd.
Freshwater Fisheries Society of BC

Greater Vancouver Transportation Authority
Health Research Foundation
Homeowner Protection Office
Industry Training Authority
Insurance Corporation of British Columbia
Interior Health Authority
Islands Trust Council
ISM Information Systems Management Canada Corporation
Justice Development Commission
Land and Water BC Inc.
Land Title and Survey Authority of British Columbia
Liquor Distribution Branch
Mainroad Pavement Marking Ltd.
Maximus BC Health Benefit Operations Inc.
Maximus BC Health Inc.
Northern Development Initiative Trust
Northern Health Authority
Oak Bay Lodge
Office of the Auditor General
Office of the Conflict of Interest Commissioner
Office of the Fire Commissioner
Office of the Freedom of Information and Privacy Commissioner

Plan Participants *continued*

Office of the Ombudsman
Office of the Police Complaint Commissioner
Oil and Gas Commission
Okanagan Valley Tree Fruit Authority
Pacific Vehicle Testing Technologies Ltd.
Partnerships British Columbia Inc.
Professional Employees Association
Provincial Agricultural Land Commission
Provincial Health Services Authority
Public Sector Employers' Council
Royal British Columbia Museum
St. Paul's Hospital
Telus Sourcing Solutions Inc.
Tillicum and Veterans Care Society (The
Lodge at Broadmead)
Tourism British Columbia
Union of Psychiatric Nurses
Vancouver Aboriginal Child & Family
Services Society
Vancouver Coastal Health Authority
Vancouver Island Health Authority
VSA Highway Maintenance Ltd.
WaterBridge Equipment Ltd.
Western Pacific Marine Ltd.
Workers' Compensation Appeal Tribunal



Marsha Goulet

Legal Office Manager,
Aboriginal Litigation &
Research Group, Ministry of Attorney General and Minister Responsible for Multiculturalism

"The pension plan is a great benefit—it's one of the main reasons I wanted to join the provincial government nine years ago."

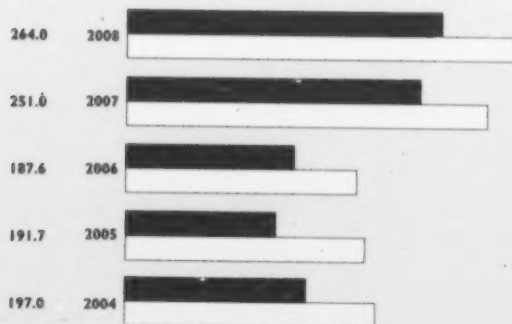
Contributions

As a member of the Public Service Pension Plan, you contribute to the plan through automatic payroll deductions. You and your employer pay contributions to fund your future pension benefits. Once you terminate employment, retire or reach 35 years of pensionable service, you no longer contribute.

Contribution Revenue
year ended March 31, 2008

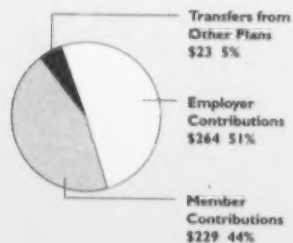
ons

ber Employer



Contribution Revenue
year ended March 31, 2008

\$ Millions



Plan Benefits



Bob Coyle
Regional Manager,
Conservation Officer
Service – Northern
Region, Ministry
of Environment
*"My Public Service
Pension Plan is there for
me. I'm planning to retire
in the future and my plan
gives me the confidence and
knowledge I can do that."*

Basic Pension (Guaranteed)

The basic pension benefit is defined, meaning the pension is based on a formula. That formula uses the pensionable years the member has accrued in the plan, the average of the best five years of salary (not necessarily the last five years) and age at retirement. The pension is not based on contributions to the plan, nor is it based on the investment performance of the plan's assets. The advantage of a defined benefit plan is that the pension is predictable. The plan provides entitlement to a pension benefit after two years of contributory service and after having reached a qualifying age. The plan also provides survivor and disability benefits.

By March 31, 2008, the plan provided pensions to 33,276 retired

members, an increase of 4.2 per cent from the previous year.

The basic pension is paid from the Basic Account of the plan.

Indexing (Non-guaranteed)

Indexing is a non-guaranteed cost-of-living supplement to the basic pension. It is paid only to the extent that there is sufficient money in the Inflation Adjustment Account (IAA). Active members and employers make contributions, but some of the employer contributions are disbursed to help pay for post-retirement group benefits before they reach the IAA. The remaining employer contributions are deposited to the IAA and, combined with the active member contributions and investment returns, are used to pay for cost-of-living increases.

On January 1, 2008, retired members received a full Consumer Price Index (CPI) increase of 2.5 per cent. Inflation increases to the pension may be provided each year based on changes in the CPI (See Note 7b to the Financial Statements). Indexing, once granted, becomes guaranteed. The inflation account is in good financial health. The board monitors the plan's ability to continue to provide non-guaranteed indexing.

Group Benefits (Non-pension)

Group benefits (extended health, medical, and group life), are not guaranteed. They are subsidized by a limited portion of available annual employer contributions that would otherwise go to the IAA. The board monitors the plan's ability to continue to provide non-guaranteed group benefits.

Plan Benefits continued

Pensions 2004-2008

Year ended March 31

	Public Service			MLA*			\$ Millions		
	New Pensions during Year	Pension Terminations	In Force at End of Year	New Pensions during Year	Pension Terminations	In Force at End of Year	Basic Pensions Paid	Inflation Supplements Paid	Total Pensions Paid
2008	2,004	655	33,276	-	1	123	455.5	96.7	552.2
2007	1,670	592	31,927	-	3	124	422.0	95.2	517.2
2006	1,463	681	30,841	4	3	127	397.0	86.7	483.7
2005	2,255	575	30,059	3	-	126	370.2	80.8	451.0
2004	2,005	570	28,379	2	2	123	329.9	76.1	406.0

* for service prior to June 19, 1996.

New Pensions—By Type

Year ended March 31

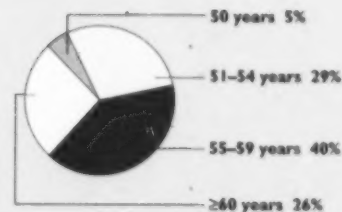
	Regular*	Death*	Disability†	Deferred	Total
2008	1,501	48	148	307	2,004
2007	1,280	22	108	268	1,678
2006	1,054	48	86	275	1,463
2005	1,853	35	102	265	2,255
2004	1,638	37	136	194	2,005

* New regular pensions do not include pensions continued to a beneficiary upon the death of a retired member.

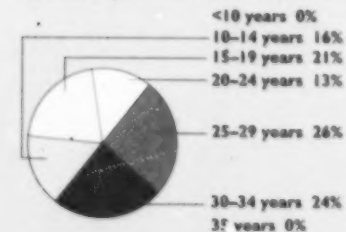
† Includes members on long-term disability who became eligible for a regular pension.

Plan Benefits continued

Percentage of New Regular Pensions by Age—Normal Retirement Age 60*

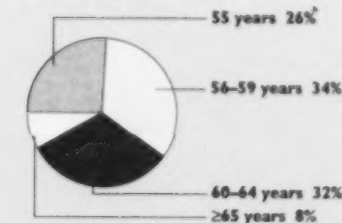


Percentage of New Regular Pensions by Years of Service—Normal Retirement Age 60*

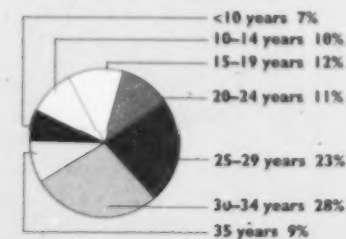


* Retirement at age 60 is provided for Corrections Officers and Emergency Health employees.

Percentage of New Regular Pensions by Age—Normal Retirement Age 65



Percentage of New Regular Pensions by Years of Service—Normal Retirement Age 65



Plan Benefits *continued*

Termination and Refund Benefits

A terminating member who is eligible for a pension, but has not yet reached the earliest retirement age, may choose:

- a deferred pension; or
- transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or a similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in the pension plan in anticipation of future entitlements. See the PensionFacts *Terminating Employment* for more information.

For 2008, there were 1,472 termination and refund benefits paid with a total value of \$56.5

million (2007: 1,050 paid with a total value of \$41.7 million).

Transferring Service

Transfer agreements allow you to carry your years of pension service from one plan to another, if the new plan has an agreement with the Public Service Pension Plan. For more information on transfer agreements, including how they work and who they are with, see the *Transferring service* PensionFacts.

This past year saw the addition of three Alberta plans to the National Public Service Pension Transfer Agreement in which the plan participates. These plans are the Alberta Public Service Pension Plan, the Management Employees Pension Plan, and the Local Authorities Pension Plan.

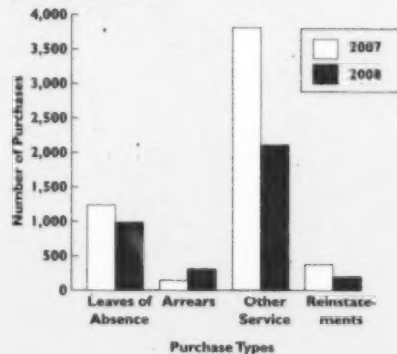
Purchase of Additional Service

Members of the plan may be able to increase their future pension benefits by purchasing periods of past service. Purchasing service means paying for periods of employment that has not already been counted as service with the plan. Beginning April 1, 2007, members may only purchase periods of service that occurred during the previous five years, provided the member applies to purchase prior to terminating employment. More information about purchasing service, including costs, is available through the PensionFacts *Purchasing Arrears, Purchasing Leaves of Absence, Purchasing Non-contributory Service or Reinstating Service*.

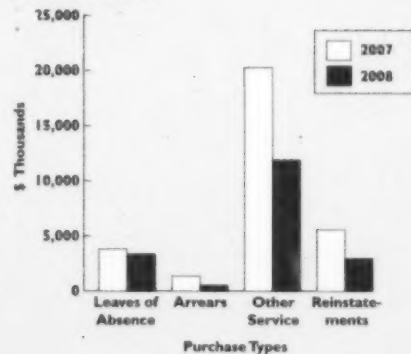
Plan Benefits *continued*

With the closing of the historical purchase window on March 31, 2007, the number of additional service purchases fell 35 per cent from 2007. The value of the purchases decreased 39 per cent.

Number of Purchases
year ended March 31



Value of Purchases
year ended March 31





Margo Archie
Logistics Coordinator,
Victoria, Ministry of
Energy, Mines and
Petroleum Resources
*"Investing now in my
pension plan is very
important to me as it
allows my children to
concentrate on their
future endeavours
knowing I have a
secured retirement
plan."*

Approved Investment Asset Mix

Strategic and short-term asset allocation targets are set within the ranges in the Basic Account Investment Asset Mix and Performance table on this page. Short-term, for asset mix purposes, includes government bonds with one- to five-year terms and money market funds.

Basic Account Investment Asset Mix and Performance

For the year ended March 31, 2008

Asset Class	Approved Range (%)	Actual Assets (%)	Rate of Return (%)	Performance Benchmark* (%)
Fixed Income	20-40			
Short-term	0-10	1.3	6.4	4.6
Mortgages	0-10	5.0	6.0	7.3
Bonds	10-25	18.1	5.9	5.9
Real Return Bonds	0-10	4.3	5.8	6.4
Equity	60-80			
Canadian Equities	10-25	15.0	2.2	3.2
U.S. Equities	10-25	17.2	(10.8)	(16.1)
International Equities	10-25	17.5	(12.7)	(12.2)
Real Estate****	8-15	15.7	16.7	5.4
Private Placements	0-10	5.9	**	**

* Benchmarks are standards to compare against actual investment returns.

** Private placement performance is measured over the lifecycle of individual investments and therefore a single annual rate of return for a pool is not appropriate.

*** As at March 31, 2008, the fund's asset allocation of 15.7% to real estate exceeded the maximum range of 15.0% due to a significant decline in the equity markets and an increase in the valuation of real estate holdings which caused an increase in the percentage of real estate holdings. On April 1, 2008, the plan's Board of Trustees amended the plan's investment policy to allow for temporary breaches of the upper ranges of Real Estate to accommodate market conditions.

Investments continued

Investment Portfolio

Investments consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly, based on the fair market value of the underlying assets. In the table below, all investments are pooled, except real return bonds, which are directly held.

Investments Held as at March 31, 2008

	Market Value (\$ Thousands)	Asset Mix Market Value (%)
Short-term		
Money Market	76,855	0.4
Bonds (1-5 years)	177,707	1.0
	254,562	1.4
Bonds		
Canadian Bond Universe	2,400,031	13.7
Long-term	736,229	4.2
Real Return Bonds	743,519	4.2
	3,879,779	22.1
Canadian Equities		
Indexed	1,664,305	9.4
Actively Managed	963,829	5.5
	2,628,134	14.9
U.S. Equities		
Indexed	1,937,989	11.0
Actively Managed	935,138	5.3
Hedging	131,343	0.8
	3,004,470	17.1
International Equities		
Asia	581,190	3.3
Europe	930,889	5.3
Europe, Australia and the Far East	1,527,535	8.7
International Hedging	5,655	0.1
	3,045,269	17.4
Real Estate, Mortgages, Private Placements and Foreign Currency		
Real Estate	2,751,249	15.7
Mortgages	870,562	5.0
Private Placements	1,084,853	6.2
Foreign Currency	29,629	0.2
	4,736,293	27.1
Total Investments	17,548,507	100.0
2007 Comparison	17,658,241	

Investments continued

Investments Held as at March 31, 2008

Top Ten Holdings (Underlying investments are in pooled portfolios)

Canadian Equities

Company	Market Value (\$ Thousands)	% of Total Canadian Equities
Encana Corporation	\$ 123,818	4.7
Suncor Energy Inc.	123,759	4.7
Royal Bank of Canada	110,239	4.2
Manulife Financial	110,125	4.2
Toronto Dominion Bank	100,585	3.8
Research in Motion	89,616	3.4
Bank of Nova Scotia	87,270	3.3
Potash Corp Of Saskatchewan	84,694	3.2
Canadian Natural Resources	65,492	2.5
Power Corp of Canada	63,395	2.4
Total Top Ten	\$ 958,993	36.4
Total Canadian Equities	\$ 2,628,134	100.0

U.S. Equities

Company	Market Value (\$ Thousands)	% of Total U.S. Equities
Exxon Mobil Corp	\$ 89,239	3.0
General Electric	87,309	2.9
AT&T Incorporated	61,118	2.0
Microsoft Corporation	53,016	1.8
Proctor & Gamble	50,862	1.7
Bank of America	43,194	1.4
Chevron Corporation	40,181	1.3
JP Morgan Chase	39,590	1.3
Johnson & Johnson	36,745	1.2
Pepsico Inc	35,371	1.2
Total Top Ten	\$ 536,625	17.0
Total U.S. Equities	\$ 3,004,470	100.0

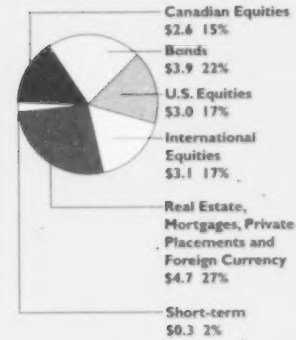
International Equities

Company	Market Value (\$ Thousands)	% of Total International Equities
Royal Dutch Shell	\$ 57,361	1.9
Total	41,284	1.4
Vodafone Group	37,297	1.2
Nestle SA	35,360	1.2
B&P Billiton Ltd	32,751	1.1
HSBC Holdings	30,608	1.0
E.ON AG	30,099	1.0
ENI	28,678	0.9
Telefonica SA	28,086	0.9
BP PLC	27,293	0.9
Total Top Ten	\$ 348,897	11.5
Total International Equities	\$ 3,045,269	100.0

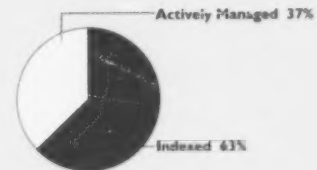
Investments continued

Investments Held as at March 31, 2008

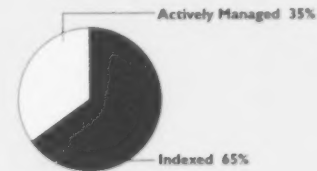
**Investment Holdings
(Market Value)**
as at March 31, 2008
\$ Billions



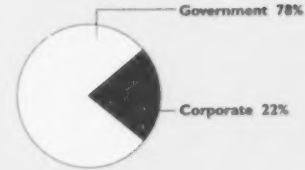
Canadian Equities (Market Value)



U.S. Equities (Market Value)



Bonds (Market Value)



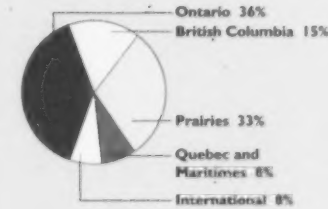
■ Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).

□ Actively Managed: A portfolio of securities that is designed to outperform a public market index.

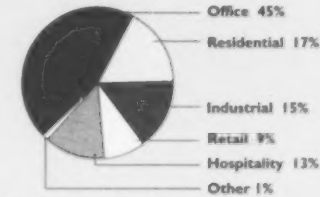
Investments continued

Investments Held as at March 31, 2008

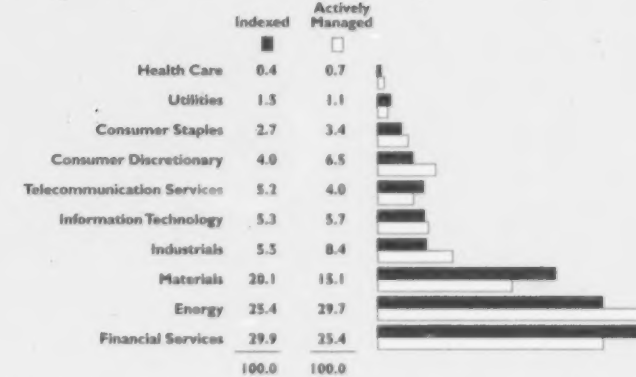
Real Estate, by Location



Domestic Real Estate, by Type



Canadian Equities, by Sector (%)



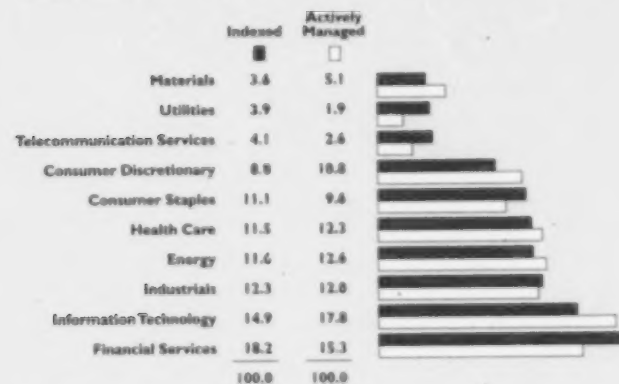
■ Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).

□ Actively Managed: A portfolio of securities that is designed to outperform a public market index.

Investments continued

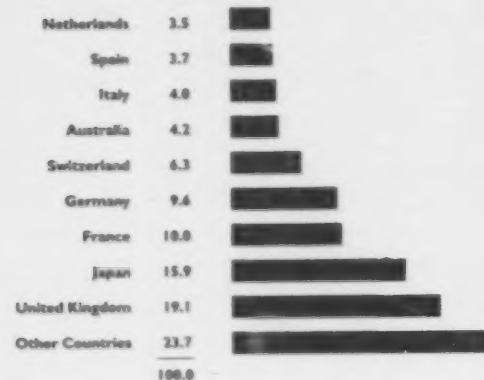
Investments Held as at March 31, 2008

U.S. Equities, by Sector (%)



Indexed: A portfolio of securities in approximately the same proportion as a public market index (e.g., Standard & Poor's/Toronto Stock Exchange Composite).
Actively Managed: A portfolio of securities that is designed to outperform a public market index.

International Equities, by Country



Investment Performance

Market Value Rates of Return

Year ended March 31	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)
Annual Rates			
2008	0.3	0.4	(1.3)
2007	12.1	12.4	10.2
2006	15.3	15.9	13.4
2005	8.1	8.5	7.1
2004	21.4	23.2	24.1
Five-year Annualized Rates**			
2008	11.2	11.8	10.4
2007	9.1	9.9	8.3
Ten-year Annualized Rates			
2008	6.6	7.1	6.1
2007	8.8	9.1	8.5

2008 Annual Rates by Investment Category

Investment Category	Basic Account (%)	Inflation Adjustment Account (%)	Basic Account Performance Benchmarks* (%)
Short-term			
Money Market	4.8	4.9	4.6 DEX T-bill 91-Day
Bonds	6.9	6.9	7.1 DEX all Government ST
Bonds			
Universe	5.9	5.9	5.8 DEX Bond Universe
Long-term	6.1	6.1	6.1 DEX all Government LT
Real Return	5.8	6.2	6.4 DEX Real Bond
Canadian Equities			
Actively Managed	(0.5)	(0.5)	3.2 Active Canadian Benchmark
Indexed	3.6	3.6	3.2 S&P/TSX Equity
Strategic Public Equity	1.2	1.2	3.2 S&P/TSX Equity
Enhanced	3.7	3.7	3.2 S&P/TSX Capped Equity
U.S. Equities			
Actively Managed	(15.6)	(15.6)	(15.7) R 1000
Indexed	(15.4)	(15.4)	(15.4) S&P 500
Social Indexed	(16.1)	(16.1)	(16.1) Domini 400 Social index
Enhanced	(15.6)	(15.6)	(15.4) R1000/S&P500
Value	(18.2)	(18.2)	(18.3) S&P/Citigroup Value
International Equities			
Asia	(10.3)	(10.3)	(12.7) MSCI Pacific Net
Europe	(11.9)	(11.9)	(10.9) MSCI Europe Net
Europe, Australia and the Far East	(13.7)	(13.7)	(13.5) MSCI Europe, Australasia, Far East Net
Real Estate	16.7	16.7	5.4 CPI + 4%
Mortgages			
Fixed-term	4.9	4.9	7.5 DEX Short-term Bond + 1%
Construction	7.3	7.3	6.8 DEX One-year T-Bill + 1%
Specialty	12.0	11.5	8.4 DEX One-year T-Bill + 2.5%

* Benchmarks are standards to compare against actual investment returns.

** An annualized rate means the rate for a five or ten year period converted into the equivalent annual rate. The five-year annualized rate of the Basic Account is the net earned rate of the fund.

Performance Benchmark Indices Abbreviations

CPI = Consumer Price Index
DEX = Derivative TSX
MSCI = Morgan Stanley Capital International
R = Russell
S&P = Standard & Poor's
S&P/TSX = Standard & Poor's/Toronto Stock Exchange
(Source of annual rates: British Columbia Investment Management Corporation)

Financial Health



Joe Flint

Technical Forest Officer 4,
retired

"I contributed to the Public Service Pension Plan for 22 years, knowing I was building a future for me and my wife, Cynthia. We've been retired for 32 years now and we're very grateful for our pension—it's allowed us to enjoy a comfortable retirement."

The Public Service Pension Plan is financially sound.

The fund holds a diversified portfolio of debt and equity investments that offer consistent and steady performance over the long term.

Every three years, an independent actuary assesses the financial health of the plan and the adequacy of the contribution rates

for funding the plan. The actuarial valuation as at March 31, 2005, indicated an unfunded liability for basic pension benefits of \$767 million. As a result, the actuary determined that an increase in contribution rates of 1.88 per cent of salary each, for plan members and employers, was necessary in order for the plan to maintain its long term financial soundness and

thus its ability to meet the pension promise made to plan members (see page 19).

The March 31, 2008, actuarial report is currently being prepared for the board by the plan actuary, Eckler Ltd. The report is to be received by the board late in 2008. The results of the report will determine contribution rates for the next three years.

Latest Actuarial Valuation as at March 31, 2005

\$ Millions

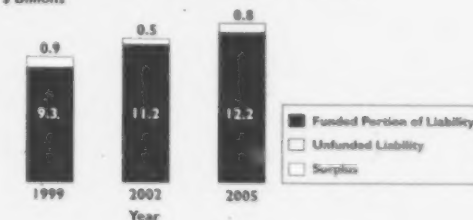
	Basic Pension Benefits Net Surplus (Unfunded Liability) 2005	2002	1999
For Funding Purposes*	(767)	546	929
Ratio of Surplus (Unfunded Liability) to Covered Payroll	(32) %	23 %	41 %
For Accounting Purposes to March 31	439	1,651	1,086

* Assuming contributions continue at rates in effect at the valuation date.

* See Note 7 and 8 to the Financial Statements for additional explanation.

Funding of the Total Basic Benefit Liability

\$ Billions



Financial Statements

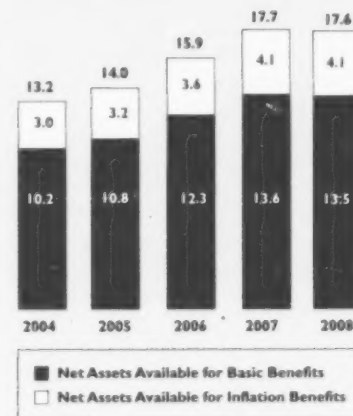
Financial Health *continued*

Five-year Financial Summary

\$ Thousands For the year ended March 31	2008	2007	2006	2005	2004
Increase in Assets					
Investment Income	\$ 80,894	\$ 1,933,382	\$ 2,166,115	\$ 1,079,447	\$ 2,384,406
Contributions					
Employers	264,023	251,042	187,611	191,641	196,982
Members	228,636	218,432	157,243	148,010	163,154
Transfers from Other Plans	23,203	23,869	16,931	33,493	29,713
Total Increase in Assets	596,756	2,426,725	2,527,900	1,452,591	2,774,255
Decrease in Assets					
Pension Benefits	552,159	517,162	483,723	450,951	406,007
Termination and Refund Benefits	56,538	41,675	44,162	41,858	30,049
Transfers to Other Plans	43,305	40,046	55,010	41,451	44,452
Retired Member Group Benefits	35,349	33,419	31,635	29,268	26,436
Investment and Administration Costs	37,247	27,502	25,893	23,433	23,828
Total Decrease in Assets	724,598	659,804	640,423	586,961	530,772
Increase (Decrease) in Net Assets	(127,842)	1,766,921	1,887,477	865,630	2,243,483
Net Assets Available for Benefits at Beginning of Year	17,684,771	15,917,850	14,030,373	13,164,743	10,921,260
Net Assets Available for Benefits at End of Year	\$17,556,929	\$17,684,771	\$15,917,850	\$14,030,373	\$13,164,743
Investment and Administration Costs*					
Investment Management*	0.26%	0.18%	0.19%	0.15%	0.14%
Benefit Administration	0.05%	0.05%	0.06%	0.06%	0.07%

* The increase in investment management costs in recent years is largely attributable to a shift in the plan's asset mix to include more assets such as real estate, infrastructure, and privately owned equities. These assets are typically more expensive to manage. However, the Public Service Pension Board and its investment manager, bclMC, believe these assets can improve the plan's long-term investment results. External investment management costs incurred in the investment pooled funds by wholly owned corporations of \$17.6 million (2007—\$13.6 million) are not included in investment and administration costs disclosed in the Financial Statement Highlights table. These costs are included in investment management costs in this Administration Costs table. Investment management percentages include \$17.6 million in additional costs incurred by corporations wholly owned by the pooled funds. (2007—13.6 million; 2006—\$14.3 million; 2005—\$6.1 million; 2004—\$4.5 million).

Net Assets Available for Benefits as at March 31



Financial Statements continued

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PENSION CORPORATION

Executive Offices

Mailing Address:
P.O. Box 5594
Victoria BC
V8N 1Y6

Location:
2095 Oakhill Road
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PUBLIC SERVICE PENSION PLAN

ADMINISTRATIVE AGENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The financial statements of the Public Service Pension Plan (Plan) were prepared by the British Columbia Pension Corporation (Pension Corporation), the administrative agent for the Public Service Board of Trustees (Board) of the Plan. The Board is responsible for having annual financial statements prepared in accordance with Canadian generally accepted accounting principles. The Pension Corporation prepares the financial statements on the Board's behalf and is responsible for the integrity and fairness of the data presented, including significant accounting judgements and estimates. This responsibility includes selecting appropriate accounting policies consistent with generally accepted accounting principles in Canada. Other financial information contained in the Public Service Pension Plan Annual Report conforms to these financial statements.

In discharging its responsibility for the integrity and fairness of the financial statements, the Pension Corporation maintains the internal controls necessary to provide reasonable assurance that relevant and reliable financial information is produced and that assets are properly safeguarded.

The firm of Eckler Ltd. has been appointed the independent consulting actuary to the Plan by the Board. The role of the actuary is to complete an actuarial valuation of the Plan in accordance with accepted actuarial practices; the results of the valuation are included in the financial statements.

The firm of PricewaterhouseCoopers LLP has been appointed the independent auditor to the Plan by the Board. The role of the auditor is to perform an independent audit of the financial statements of the Plan in accordance with Canadian generally accepted auditing standards. The resulting audit opinion is set out in the Auditors' Report attached to these financial statements.



BRIAN PEARSON, CGA
Assistant Director, Plan Finance
British Columbia Pension Corporation



LOUISE YOUNG, CA
Chief Executive Officer
British Columbia Pension Corporation

September 4, 2008

September 4, 2008

Auditors' Report

To the Members of the Public Service Pension Plan

We have audited the statement of net assets available for benefits of the **Public Service Pension Plan** as at March 31, 2008 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Board of Trustees. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the net assets available for benefits of the Plan as at March 31, 2008 and the changes in net assets available for benefits for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at March 31, 2007 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 13, 2007.

PriceWaterhouseCoopers LLP

Chartered Accountants

Financial Statements
continued



Public Service
Pension Plan

PUBLIC SERVICE PENSION PLAN
STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
(\$ Thousands)

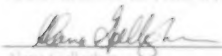
As at March 31	2008	2007
ASSETS		
Investments (Note A)	\$ 17,548,507	\$ 17,658,241
Receivables		
Members' contributions	7,816	8,115
Employers' contributions	9,579	10,571
Accrued investment income	7,726	7,501
Due from sale of investments	70,303	134,643
	<u>95,424</u>	<u>160,830</u>
Prepaid expenses		1,518
Cash	1,517	1,408
Total Assets	<u>\$ 17,647,606</u>	<u>\$ 18,121,997</u>
LIABILITIES		
Payable for purchase of investments	74,865	120,646
Accounts payable and accrued expenses	13,812	16,580
Total Liabilities	<u>90,677</u>	<u>137,226</u>
NET ASSETS AVAILABLE FOR BENEFITS	<u>\$ 17,556,929</u>	<u>\$ 17,684,771</u>

All accompanying notes are an integral part of these financial statements including:

- Actuarial Valuation of the Basic Account for Funding Purposes (Note 7)
- Actuarial Valuation of the Basic Account for Accounting Purposes (Note 8)
- Commitments (Note 11)


John W. Cook, F.C.I.A.

Chair, Public Service Pension Board of Trustees


Anne Gallagher

Trustee

Public Service Pension Board of Trustees


John J. Packer

Trustee

Public Service Pension Board of Trustees

Financial Statements
continued

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PUBLIC SERVICE PENSION PLAN
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
(\$ Thousands)

For the year ended March 31	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	2008	2007
INCREASE IN ASSETS					
Investment income (Note 4)	\$ 38,120	\$ 22,569	\$ -	\$ 60,689	\$ 1,713,182
Contributions (Note 5)					
Employers:					
Province of British Columbia	108,926	20,510	25,142	154,587	148,083
Other	79,248	15,876	14,612	109,736	107,790
Members:	188,174	36,095	39,754	264,023	251,943
	184,372	43,038	3,196	228,606	218,432
	572,546	79,203	40,910	692,659	469,374
Transfers from other plans	17,716	5,487	-	23,203	13,860
Total Increase in Assets	448,587	107,291	40,910	\$ 606,786	\$ 2,426,771
DECREASE IN ASSETS					
Pension benefits	(43,936)	-	(3,547)	(47,483)	(42,193)
Employer matching supplements	(8,436)	-	(252)	(8,688)	(9,293)
	(52,372)	-	(3,799)	(56,171)	(51,486)
Termination and refund benefits	(3,991)	(21,455)	(3,092)	(28,538)	(31,675)
Transfers to other plans	(2,536)	(19,600)	-	(22,136)	(40,946)
Refund of member group benefits (Note 10)	-	-	(8,249)	(8,249)	(5,435)
Investment and administration costs (Note 9)	(80,023)	(6,352)	(679)	(87,054)	(77,565)
Total Decrease in Assets	(144,912)	(27,407)	(12,519)	(184,838)	(203,699)
INCREASE (DECREASE) IN NET ASSETS					
BEFORE TRANSFERS	(106,325)	(29,787)	(12,519)	(148,631)	(175,233)
Account transfers (Note 6)	126,075	126,075	-	252,150	1,766,708
INCREASE (DECREASE) IN NET ASSETS					
NET ASSETS AVAILABLE FOR BENEFITS					
AT BEGINNING OF YEAR	1,575,117	4,311,604	-	5,886,721	3,886,721
NET ASSETS AVAILABLE FOR BENEFITS					
AT END OF YEAR	\$ 1,468,795	\$ 4,384,197	\$ -	\$ 5,852,992	\$ 5,653,129

Supplemental Benefits Account (Note 10)

**Financial Statements
continued**

Financial Statements *continued*

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PUBLIC SERVICE PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN

The Public Service Pension Plan (Plan) is a jointly trusteesd pension plan governed by a Joint Trust Agreement (Agreement). Joint trusteeship was established on January 1, 2001. The partners to the Agreement are the Province of B.C. and the B.C. Government and Service Employees' Union (Partners). The Agreement describes the composition, appointment, powers, functions and duties of the Public Service Pension Board of Trustees (Board) and provides the authority for the Board to make Plan rules. The following brief description of the Plan is provided for general information only. For more information please refer to the Joint Trust Agreement and the Plan rules.

a) General

The Plan is open to eligible employees of the Province of B.C., and certain crown corporations, agencies, institutions, and other employers approved by the Board. Effective April 1, 2007, the Plan is also open to eligible Members of the Legislative Assembly.

b) Roles and Responsibilities

The Board of Trustees

The Partners are responsible for directing amendments to the Plan, if certain conditions are met, and for resolving trustee disputes. The Board consists of up to fifteen members. The Partners and key stakeholders appoint fourteen members representing Plan members and Plan employers. The Chair is appointed by the other trustees. The Board is fully responsible for the management of the Plan, including investment of the assets and administration of the Plan. The Board may amend the Plan rules as long as changes can be funded by pension fund surpluses or are cost neutral to the Plan. Unless required to ensure compliance with regulatory enactments applicable to the Plan, Plan rule changes that result in contribution rate changes can only be initiated by the Partners.

British Columbia Pension Corporation (Pension Corporation)

The Pension Corporation provides benefit administration services as an agent of the Board.

British Columbia Investment Management Corporation (bcIMC)

bcIMC provides investment management services as an agent of the Board.

PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

c) Contributions

The following member and employer contributions apply to the majority of members, excluding certain limited groups with higher contribution rates required to fund the cost of their benefits.

Basic Account

Members contribute to the Basic Account 6.1% of salaries up to and including the Canada Pension Plan Year's Maximum Pensionable Earnings ("YMPE") (\$43,700 in 2007) and 4.6% of salaries above the YMPE, less amounts allocated to the Supplemental Benefits Account (Notes 3 and 10).

Employer contributions to the Basic Account generally match those for members, less amounts allocated to the Supplemental Benefits Account (Notes 3 and 10).

Inflation Adjustment Account

Members contribute 1.90% of salaries to the Inflation Adjustment Account ("IAA"). Employers contribute 2.80% of salaries to the IAA, less amounts allocated to the Supplemental Benefits Account (Notes 3 and 10).

d) Pension Benefits

The following pension benefits apply to the majority of members, excluding certain limited groups. For example, certain public safety occupations may be eligible for a benefit rather than indicated.

Members with two years of contributory service are eligible for a pension benefit.

Members are eligible for unreduced pension benefits:

- at age 65;
- at age 60, with at least 2 years contributory service; or
- at age 55 or older, where age plus years of service equals 85 or more.

Other retiring members have a reduction formula applied to their pensions:

The defined basic plan benefit is integrated with the Canada Pension Plan (CPP). As a result, the Plan provides an unreduced benefit of 1.35% (1.1% for members who terminated prior to March 1, 2002) of pensionable earnings up to the YMPE, and 2% of pensionable earnings over the YMPE, for each year of pensionable service (to a maximum of 35 years). Pensionable earnings are based on the member's five-year highest average salary (HAS).

**Financial Statements
continued**

Financial Statements continued

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PUBLIC SERVICE PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

1. DESCRIPTION OF THE PUBLIC SERVICE PENSION PLAN (continued)

d) Pension Benefits (continued)

The Plan also provides a bridge benefit payable to age 65 (or the date of death, if earlier). The bridge benefit is 0.65% (0.7% for members who terminated prior to March 1, 2002) of the lesser of the YMPE or the HAS.

Increases to pension payments may be provided each January 1 in accordance with the indexing provisions of the Plan. These increases are based on the annual increase in the Canada Consumer Price Index (CPI) as at the previous September 30, and are subject to availability of funds in the Inflation Adjustment Account (Note 6 and 7b).

At January 1, 2008, retired members received a full CPI increase of 2.5% (2007: 0.7%).

e) Termination and Portability Benefits

A terminating member who is eligible for a pension, but has not reached the earliest retirement age may choose:

- a deferred pension; or
- a transfer of the commuted value of the pension benefit (the minimum value is the member's contributions with interest) to a locked-in registered retirement savings plan or similar tax-sheltered plan.

A terminating member may also choose to leave monies on deposit in anticipation of future entitlements. A terminating member who is not eligible to receive a pension may also choose a refund of contributions with interest.

Where there are portability arrangements between the Plan and other pension plans, members may be able to transfer certain pension rights.

f) Other Benefits

Disability and survivor benefits are also available under the Plan. Supplemental benefits (Note 10) may also be funded from the Supplemental Benefits Account. Under certain circumstances, members may also reinstate or purchase additional service to increase their future pension benefits.

g) Income Taxes

The Plan is a Registered Pension Plan (RPP), as defined in the *Income Tax Act* (Canada), except for any supplemental benefits (Note 10) which are funded in addition to the RPP. The Plan is not subject to income taxes.

**PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

2. SIGNIFICANT ACCOUNTING POLICIES

a) Basis of Presentation

These financial statements are prepared on the going concern basis and present the Plan as a separate financial reporting entity, independent of the Plan's contributing employers and members, and independent of any associated retired member group benefit plans. The Statement of Net Assets Available for Benefits shows the assets under control of the Board. It does not purport to show whether these assets are adequate to meet all of the obligations of the Plan. The actuarial valuation of the basic account for funding purposes is included in Note 7.

b) Investments

Investments are stated at fair value and consist primarily of direct ownership in units of pooled investment portfolios. The units of pooled investment portfolios are valued regularly based on the value of the underlying assets. Where available, fair values of these assets are based on public market prices or quotations from investment dealers. Where public market prices or quotations are not available, fair values are derived using valuation methods such as discounted cash flows, earnings multiples, appraisals, prevailing market rates for instruments with similar characteristics and other pricing models, as appropriate. The fair value of derivative contracts is included in the fair value of pooled investment portfolios.

Investment purchases and sales are recorded on the trade date (the date upon which the substantial risks and rewards of ownership have been transferred).

c) Investment Income

Income from investments is recorded on the accrual basis and represents pooled investment portfolio income attributable to the Plan as a unit holder. The current period change in fair value includes realized and unrealized gains and losses which are included in investment income.

Within the pools, dividends are accrued on the ex dividend date. Income received and paid from derivative contracts is recognized on the accrual basis. Gains and losses on derivative contracts are recognized concurrently with changes in their fair values.

The investment pools are denominated in Canadian dollars with all foreign denominated balances and transactions translated into Canadian dollars at the relevant foreign exchange rate.

Financial Statements
continued

Financial Statements continued

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PUBLIC SERVICE PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of Estimates

The preparation of financial statements, in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in assets during the period. Significant areas requiring the use of management estimates relate to the valuation of investments and the estimate of the actuarial position of the Basic Account. Actual results could differ from these estimates.

e) Change in Accounting Policy

As of April 2007, the Plan adopted Canadian Institute of Chartered Accountants (CICA) emerging issues abstract No. 168, Accounting by Pension Plans for Transaction Costs. The Plan stopped including transaction costs in the fair value of investments. Transaction costs are now included in the statement of changes in net assets in the period incurred. Prior to April 2007, transaction costs incurred were capitalized and added to the cost of securities purchased and deducted from the proceeds of securities sold. Transaction costs are expensed and included in investment management costs in Note 9(d), Investment and Administration Costs. The impact of this change did not have any net impact on the statement of net assets or the statement of changes in net assets of the Plan.

3. INVESTMENTS (FAIR VALUE)

	2008		2007	
	Basic Account	Inflation Adjustment Account	Total	Total
	(\$ Thousands)			
Short-term	\$ 176,395	\$ 77,967	\$ 254,362	\$ 537,630
Canadian Bonds (Note 11)	3,011,180	868,599	3,879,779	4,063,133
Canadian Equities	2,026,396	601,738	2,628,134	2,844,753
U.S. Equities	2,314,598	689,872	3,004,470	2,887,712
International Equities	2,338,654	686,615	3,043,269	3,571,150
Foreign Currency	22,738	6,891	29,629	34,396
Mortgages	670,686	199,876	870,562	673,528
Real Estate	2,149,475	631,774	2,781,249	2,230,777
Private Placements	798,425	286,428	1,084,853	815,162
	<u>\$ 13,498,747</u>	<u>\$ 4,049,760</u>	<u>\$ 17,548,507</u>	<u>\$ 17,658,241</u>

**PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

3. INVESTMENTS (FAIR VALUE) (continued)

Plan investments consist primarily of direct ownership in units of pooled investment portfolios managed by bePMC. Each unit gives its holder a proportionate share in the net assets of the pooled investment fund. One or more pooled investment portfolios exist for different types of investments, such as short-term investments, Canadian bonds and Canadian equities.

Short-term investments consist of Canadian and U.S. money market securities, such as treasury bills, with maturities of 15 months or less, and short-term bonds with one to five year terms. Canadian bonds consist of government and corporate bonds and debentures and include real return bonds of \$743.5 million (2007: \$725.3 million) that are directly held by the Plan. Equities consist primarily of publicly traded shares, and, in the case of international equities, refer to investments in the markets of Europe and Asia, as well as key emerging markets. The foreign currency pooled fund engages in the buying and selling of foreign currency financial instruments to enhance returns through the active management of foreign currency exposure.

Mortgages consist mainly of Canadian construction, commercial and multi-family residential mortgages. Real estate investments consist mainly of diversified Canadian income-producing properties. Private placements refer to Canadian and international long-term debt or equity investments made outside the structure of public markets (Note 11).

The mortgages are secured by real estate and are valued using current market yields. The real estate is valued quarterly by bePMC's external real estate investment managers and, at least once every ten to eighteen months, by accredited independent appraisers to establish current market values. Private placements are valued annually based on financial statements from private placement external managers.

Derivative contracts are held indirectly through various pooled investment portfolios to enhance return, manage exposure to interest rate and foreign currency risk, and for asset mix management purposes. Derivative contracts are financial contracts, the value of which is derived from the value of underlying assets, indices, interest rates, or exchange rates.

**Financial Statements
continued**

Financial Statements

continued

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PUBLIC SERVICE PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

4. INVESTMENT INCOME

	2008		2007	
	Income Allocation	Current Period Change In Fair Value	Total	Total
	(\$ Thousands)			
Basic Account				
Short term	\$ 21,724	\$ 10,162	\$ 31,886	\$ 21,007
Canadian Bonds	128,412	34,301	162,713	159,595
Canadian Equities	41,063	14,713	55,776	286,690
U.S. Equities	83,508	(325,039)	(241,531)	177,818
International Equities	77,571	(422,850)	(345,279)	374,532
Foreign Currency	1,112	(4,167)	(3,055)	3,090
Mortgages	25,436	9,964	35,400	31,138
Real Estate	87,377	197,670	285,047	333,738
Private Placements	21,070	56,298	77,368	89,792
	<u>\$ 487,273</u>	<u>\$ 428,948</u>	<u>\$ 58,325</u>	<u>\$ 1,479,400</u>
Inflation Adjustment Account				
Short term	\$ 7,193	\$ 2,998	\$ 10,191	\$ 7,146
Canadian Bonds	40,129	11,749	51,878	45,293
Canadian Equities	13,398	2,915	16,313	86,458
U.S. Equities	25,493	(98,243)	(72,750)	53,827
International Equities	23,741	(129,217)	(105,476)	112,418
Foreign Currency	356	(1,263)	(907)	1,560
Mortgages	8,132	2,924	11,056	9,123
Real Estate	25,774	60,291	86,065	99,253
Private Placements	11,873	14,326	26,199	38,904
	<u>\$ 156,089</u>	<u>\$ 133,520</u>	<u>\$ 22,569</u>	<u>\$ 453,982</u>
Total Investment Income	<u>\$ 643,362</u>	<u>\$ 562,468</u>	<u>\$ 80,894</u>	<u>\$ 1,933,382</u>

Investment income represents pooled investment portfolio income attributable to the Plan, as a unitholder, and as calculated by bcIMC, and interest income from directly held investments. All income earned within a pooled investment portfolio is reinvested within the portfolio.

**PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

5. CONTRIBUTIONS

	2008			2007	
	Basic Account	Inflation Adjustment Account	Supplemental Benefits Account	Total	Total
	(\$ Thousands)				
Employers' contributions					
Province of British Columbia					
Regular	\$ 106,165	\$ 19,650	\$ 4,247	\$ 130,062	\$ 117,316
Early retirement incentives	17	5		22	2
Arrears	24	10		34	833
Purchase of service	1,671	673		2,344	7,363
Leave of absence	403	163		566	1,463
Reinstatement	646	38		684	1,566
Retired member group benefits			20,895	20,895	19,740
	\$ 108,926	\$ 20,519	\$ 25,142	\$ 154,587	\$ 148,283
Other employers					
Regular	\$ 75,449	\$ 14,653	\$ 158	\$ 89,660	\$ 84,538
Early retirement incentives	64	19		83	29
Arrears	170	69		239	202
Purchase of service	2,707	1,087		3,794	3,731
Leave of absence	858	348		1,206	580
Retired member group benefits			14,454	14,454	13,679
	\$ 79,248	\$ 15,576	\$ 14,612	\$ 109,436	\$ 102,759
Total Employers'	\$ 188,174	\$ 36,095	\$ 39,754	\$ 264,023	\$ 251,042
Members' contributions					
Regular	\$ 176,407	\$ 41,277	\$ 1,133	\$ 218,817	\$ 203,172
Arrears	196	47		243	336
Purchase of service	4,622	1,107	23	5,752	9,139
Leave of absence	1,261	307		1,568	1,767
Reinstatement	1,886	370		2,256	4,018
Total Members'	\$ 184,372	\$ 43,108	\$ 1,156	\$ 228,636	\$ 218,432
Total Contributions	\$ 372,546	\$ 79,203	\$ 40,910	\$ 492,659	\$ 469,474

Member and employer contributions are as defined under the Plan rules.

**Financial Statements
continued**

Financial Statements continued

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PUBLIC SERVICE PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

6. ACCOUNT TRANSFERS

	2008		2007	
	Basic Account	Inflation Adjustment Account	Basic Account	Inflation Adjustment Account
<i>(\$ Thousands)</i>				
Present value of current indexing supplements	\$ 121,518	\$ (121,518)	\$ 32,098	\$ (32,098)
Indexing of deferred pensions	5,177	(5,177)	5,103	(5,103)
	<u>\$ 126,695</u>	<u>\$ (126,695)</u>	<u>\$ 37,201</u>	<u>\$ (37,201)</u>

The Inflation Adjustment Account (IAA) is a separate account that is maintained for funding current and future indexing supplements. The IAA is funded through a portion of ongoing contributions from employers and members (Note 1c), from investment income earned on its own assets, and from excess interest earned in the Basic Account.

All pension payments are made from the Basic Account. Each year, when members' pension payments are adjusted for current indexing, monies are transferred from the IAA to the Basic Account to cover the present value of all future payments arising from the current indexing supplements.

When a deferred pension begins to be paid, the present value of the cost of living changes during the deferral period is transferred from the IAA to the Basic Account.

There have been no excess interest transfers to the IAA for the years ended March 31, 2003 through 2008. Excess interest is based on investment income earned on those Basic Account assets required for pensions currently being paid, approximately \$5.2 billion of assets for 2008 (2007: \$4.8 billion). The excess interest rate of return is determined by taking the difference between the actual five-year annualized market rate of return (11.2%) and the rate of return used by the actuary (6.75%) in valuing the Plan's liabilities. The calculated excess interest rate of return for 2008 was 4.45% (2007: 2.35%) resulting in a positive excess interest amount of \$230.2 million (2007: \$113.7 million). The cumulative negative excess interest amount of \$112.9 million will be offset against future positive excess interest amounts before positive excess interest transfers will resume.

Excess Interest	2008	2007
	<i>(\$ Millions)</i>	
Cumulative negative excess interest, beginning of year	\$ (308.5)	\$ (387.0)
Interest applied to beginning of year amount	(34.6)	(35.2)
Excess interest	<u>230.2</u>	<u>113.7</u>
Cumulative negative excess interest, end of year	<u>\$ (112.9)</u>	<u>\$ (308.5)</u>

**PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES

a) Basic Account

An actuarial valuation of the Plan's assets and pension obligations is performed at least every three years by an independent actuary to determine an appropriate combined employer and member contribution rate to fund the Basic Account. For this purpose, the Plan's actuary values both accrued assets and accrued benefit obligations to the financial statement date, and contributions and benefits for future service. The actuary's calculated contribution rate is based on the entry-age method. This method produces the level rate of member and employer contributions sufficient to provide benefits for the average future new entrants to the Plan.

The most recent full actuarial valuation for funding purposes was prepared as at March 31, 2005 by Eckler Ltd. This valuation disclosed an unfunded actuarial liability (UAL) for basic account pension benefits of \$767 million (2002: \$546 million surplus), assuming future contributions at the contribution rates in effect at the valuation date. The following long term actuarial assumptions were used:

- annual investment return 6.75%^a (2002: 7.30%^a)
- annual salary escalation rate 4.00%^a (2002: 4.80%^a)

The next full actuarial valuation will be at March 31, 2008, for inclusion in the March 31, 2009 financial statements.

The Joint Trust Agreement (Agreement) specifies that, if an actuarial valuation indicates that increased basic contribution rates are required, the increase must be shared equally by members and employers. The agreement also describes the manner in which the Board can elect to apply surplus assets.

b) Inflation Adjustment Account (IAA)

No unfunded liability exists for the IAA since the obligation for future indexing benefits is limited to the amount of the available assets in the account. As indexing is granted to retired members, full funding for that granted indexing, on a net present value basis, is transferred from the IAA to the Basic Account, from which the pensions are paid. There is no minimum level of indexing required to be paid under the Plan rules, nor is there any Plan provision to fund the IAA to any minimum level of future potential indexing.

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**PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2008**

**7. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR FUNDING PURPOSES
(continued)**

b) Inflation Adjustment Account (IAA) (continued)

The Board monitors the performance of the IAA and, at least annually, reviews a sensitivity analysis of the projected impact on the IAA of possible differing future economic trends. Such factors include inflation rates, real wage growth rates, real investment rates of return and group health benefits costs. This sensitivity analysis assists the Board to identify scenarios, some years in advance of their possible occurrence, when the IAA assets may cease to grow and when the Plan may not be able to grant full indexing of benefits. As long as there are contributions to the IAA, there will be some measure of indexing protection for retired members.

**8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING
PURPOSES**

An actuarial valuation is performed at least every three years. Its primary objective is to assess the financial position and adequacy of funding for the Basic Account of the Plan as described in Note 7a. As part of the actuarial valuation, the actuary also calculates values, for accounting purposes, for Basic Account assets as at, and pension liabilities accrued to, the financial statement date. For this purpose, contributions and benefits for future service are not included, in contrast to their inclusion in the valuation for funding purposes as described in Note 7a.

The Basic Account is the account from which the defined basic benefits of the Plan are paid. It is also the account from which any indexing that has been granted to retired members is paid. Future indexing benefits are not guaranteed within the Plan provisions, and are granted to retired members only to the extent that sufficient assets are available from the IAA to fund those benefits. As indexing is granted, the Basic Account receives from the IAA the present value funding necessary for the indexing granted. Therefore, accrued basic pension benefits for valuation purposes includes the liability for all indexing granted to the date of the valuation, but not for, as yet unknown, future indexing.

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8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

The latest full valuation for accounting purposes was made as at March 31, 2005, by Eckler Ltd., the results were as follows:

As at March 31	2005	2002
	(\$ Millions)	
Net assets available for basic pension benefits	\$ 10,787	\$ 9,394
Five year market value smoothing adjustment	(429)	253
Net actuarial assets for basic pension benefits	10,358	9,647
Liability for accrued basic pension benefits	9,919	7,996
Actuarial Surplus	\$ 439	\$ 1,651

The next full actuarial valuation will be at March 31, 2008 for inclusion in the March 31, 2009 financial statements.

The liability for accrued basic pension benefits at the valuation date is determined using the projected benefit method prorated on service. Net assets are valued using five-year market value smoothing. For accounting purposes, an estimate of the actuarial position between valuations is required. This estimate, called an extrapolation, has been made to March 31, 2008, using the following long-term actuarial assumptions.

- annual investment return 6.75%^a
- annual salary escalation rate 4.00%^a

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PUBLIC SERVICE PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

8. ACTUARIAL VALUATION OF THE BASIC ACCOUNT FOR ACCOUNTING PURPOSES (continued)

On this basis, the extrapolated value of the surplus at March 31 is as follows:

Extrapolated Actuarial Assets Available for Basic Pension Benefits As at March 31			2008	2007
			(\$ Millions)	
Extrapolated actuarial assets, beginning of year			\$ 11,461	\$ 10,896
Account transfers			127	37
Current year contributions			377	359
Net transfers from (to) other plans			(15)	(11)
Pension, termination and refund benefits			(595)	(549)
Interest accrued on assets			768	729
Extrapolated actuarial assets, end of year			<u>\$ 12,123</u>	<u>\$ 11,461</u>
Extrapolated Actuarial Liability for Accrued Basic Pension Benefits As at March 31			2008	2007
			(\$ Millions)	
Extrapolated actuarial liability, beginning of year			\$ 11,110	\$ 10,545
Account transfers			127	37
Current period benefit cost			402	382
Net transfers from (to) other plans			(15)	(11)
Pension, termination and refund benefits			(595)	(549)
Interest accrued on liability			745	706
Extrapolated actuarial liability, end of year			<u>\$ 11,774</u>	<u>\$ 11,110</u>
Extrapolated Surplus, March 31			<u>\$ 349</u>	<u>\$ 351</u>
Fair value of Basic Account net assets available for benefits			13,504	13,573
Fair value changes not reflected in extrapolated assets			(1,381)	(2,112)
Extrapolated actuarial assets			<u>\$ 12,123</u>	<u>\$ 11,461</u>

Extrapolations may not be reliable indicators of the next valuation results nor do they necessarily reflect the overall trend of results. Between valuations, actual wage increases, investment earnings and the incidence of retirements, withdrawals, etc. may vary significantly from the long-term assumptions used in the extrapolation.

No unfunded liability exists for the FVA, since the obligation for future indexing benefits is limited to the amount of the available assets in the account.

**PUBLIC SERVICE PENSION PLAN
NOTES TO THE FINANCIAL STATEMENTS
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9. RELATED PARTY TRANSACTIONS

a) Transfers from Members of the Legislative Assembly (MLA) Superannuation Account

The Members of the Legislative Assembly Superannuation Account (Account) was established under Part 2 of the *Members' Remuneration and Pensions Act*. The Act was amended in July 1995 to discontinue the accrual of benefit entitlements under Part 2 of the Act after June 19, 1996. As at March 31, 2008, nine members remain with eligibility for a benefit from the Account.

When an eligible MLA is granted a pension, the present value of the pension is transferred from the Account to the Plan, from which monthly benefits are paid. During the years ended March 31, 2008 and 2007 there were no pensions granted and therefore no transfers occurred.

b) Investment and Administration Costs

	2008	2007
	(\$ Thousands)	
Investment Management	\$ 28,122	\$ 18,714
Benefit Administration	8,390	8,161
Board Remuneration and Expenses	223	230
Board Secretariat Costs	205	196
Other Professional Services	317	201
	<u>\$ 37,247</u>	<u>\$ 27,502</u>

bcIMC and the Pension Corporation are related parties to the Plan. The Board appoints members to each of the respective corporate boards. bcIMC and the Pension Corporation are participating employers in the Plan.

Costs for investment management services charged by bcIMC include costs for recovery of its internal and external investment management fees except those external management fees related to corporations wholly owned by the investment pooled funds.

Investment management costs of \$1.7 million (2007: \$1.56 million) representing the external management costs incurred by wholly-owned corporations of the investment pooled funds are not included in the above amount.

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PUBLIC SERVICE PENSION PLAN NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED MARCH 31, 2008

9. RELATED PARTY TRANSACTIONS (continued)

b) Investment and Administration Costs (continued)

Benefit administration costs represent amounts charged to recover benefit administration costs incurred by the Pension Corporation. These costs are approved by the Board. Included in accounts payable is \$1.5 million (2007: \$1.6 million) due to the Pension Corporation for these costs.

These transactions are in the normal course of operations and are measured at the exchange amount of consideration established and agreed to by the related parties.

Board secretariat costs represent amounts for staffing and other costs associated with Board support.

Other professional services include actuarial, insurance, audit and legal fees.

10. SUPPLEMENTAL BENEFITS ACCOUNT

The Supplemental Benefits Account is the account through which certain supplemental benefits are funded. For example, pension benefits which exceed the *Income Tax Act* (Canada) limits for registered pension plans are paid through this account. Certain group benefit coverage may also be provided for retired members through this account. The availability, type and level of retired member group benefit coverage is contingent upon the availability of funding for such benefits.

To the extent that group benefits are funded from the Supplemental Benefits Account, they are funded from current contributions that would otherwise be employer inflation contributions and cannot exceed 50% of the total of current member and employer inflation adjustment contributions. Retired member group benefit costs (shown on the Statement of Changes in Net Assets Available for Benefits) represent group benefit costs paid by the Plan less any premiums paid by members.

**PUBLIC SERVICE PENSION PLAN
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11. COMMITMENTS

The Plan participates in private placement and international real estate pools that are managed by bcIMC. As at March 31, 2008, the Plan's share of commitments (over the next several years) for future investment contracts in these pools is approximately \$836.1 million (2007: \$725 million).

bcIMC has established collateral accounts for the Plan that are pledged as security for future investment opportunities. As at March 31, 2008, \$28.0 million (2007: \$19.3 million) of Basic Account Canadian bonds are being held as collateral for an investment commitment of \$10.1 million and other assured investment activity.

12. FINANCIAL INSTRUMENTS

The Plan's investments are recorded at fair value. Other financial instruments consist of cash, accounts receivable, accounts payable and accrued expenses. The fair values of these financial instruments approximate their carrying values.

The Board approves the long-term asset mix policy for investment assets and through its Statement of Investment Policies and Procedures oversees the management of these assets through the Board's investment management agent, bcIMC.

Fair values of investments are exposed to price risk and credit risk. Price risk is comprised of foreign currency risk, interest rate risk, and market risk. Foreign currency risk relates to the possibility that the investments will change in value due to future fluctuations in foreign exchange rates. Interest rate risk relates to the possibility that the investments will change in value due to future fluctuations in market interest rates. Market risk relates to the possibility that the investments will change in value due to future fluctuations in market prices. Credit risk relates to the possibility that a loss may occur from the failure of another party to perform according to the terms of a contract.

Foreign Currency Risk

Foreign currency exposure arises from foreign currency denominated investments and related derivative contracts held indirectly through pooled investment portfolios. Foreign currency forward contracts are used by the underlying pools to manage a portion of the currency exposure. A foreign currency forward contract is a contractual obligation either to buy or sell a specified amount of foreign currency at a predetermined future date and exchange rate.

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12. FINANCIAL INSTRUMENTS (continued)

Interest Rate Risk

The value of the Plan's assets is affected by changes in interest rates and their effect on capital markets. The risk of adverse changes in interest rates is reduced through management of duration in exposure to fixed income securities, the use of floating rate notes and general diversification by security type and geographic region.

Actuarial liabilities are affected by changes in long-term market interest rates.

Market Risk

Market risk is reduced through asset class diversification, diversification within each asset class and credit quality constraints on fixed income instruments.

Credit Risk

bcPMC limits credit risk by establishing specific investment criteria, such as minimum credit ratings for investees and counterparties and maximum concentration with given counterparties.





**Public Service
Pension Plan**

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